

Message Text

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PAGE 01 STATE 056180
ORIGIN L-03

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TO AMEMBASSY PARIS

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E.O. 11652: N/A

TAGS:EMIN, TECH

SUBJECT: URANEX CONTRACT FOR SUPPLY OF URANIUM

1. ON MARCH 9 CAROLINA POWER AND LIGHT COMPANY ATTORNEY VISITED DEPARTMENT OFFICERS TO DESCRIBE PROBLEMS COMPANY IS HAVING WITH REGARD TO A URANIUM SUPPLY CONTRACT WITH URANEX, A FRENCH CONCERN, 34 OF WHICH IS OWNED BY THE FRENCH GOVERNMENT ATOMIC ENERGY ENTITY. PROBLEM IN BRIEF IS URANEX UNWILLINGNESS TO SUPPLY URANIUM OXIDE AT CONTRACT PRICE (APPROXIMATELY \$8 A POUND FOR 1977) IN VIEW OF WORLD PRICE INCREASES. ISSUE HAS NOW GONE TO ARBITRATION UNDER PROVISIONS OF CONTRACT. IN ADDITION, CAROLINA POWER HAS ATTACHED \$52 MILLION WORTH OF PAYMENTS
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PAGE 02 STATE 056180

DUE URANEX FROM ANOTHER U.S. PURCHASER. COMPANY INDICATES TO US THAT IT WOULD BE WILLING TO WORK OUT A SETTLEMENT (ALTHOUGH IT GIVES NO DETAILS), IF IT CAN BE SHOWN THAT URANEX IS IN A PRICE SQUEEZE SITUATION AND NOT SIMPLY TRYING TO REAP A WINDFALL PROFIT BY NOT SUPPLYING URANIUM EXCEPT AT INCREASED PRICES APPROXIMATING CURRENT WORLD PRICES. MATTERS FURTHER COMPLICATED

BY FACT THAT FRENCH GOVERNMENT AUTHORITIES (MINISTRY OF INDUSTRY AND RESEARCH) HAVE SOUGHT TO IMPOSE RESTRICTIONS

ON URANIUM OXIDE EXPORTS, ALLEGEDLY TO GIVE URANEX BASIS FOR ARGUING IMPOSSIBILITY OF PERFORMANCE UNDER CONTRACT AND THEREBY TERMINATING SAME.

2. A GROUP OF CONGRESSMEN HAS WRITTEN SECRETARY BRINGING MATTER TO HIS ATTENTION AND URGING APPROPRIATE DEPARTMENT ASSISTANCE ON GROUNDS THAT FRENCH COMPANY IS SEEKING WINDFALL PROFITS (COPY BEING POUCHED). LETTER MAKES POINT, WITH WHICH WE HAVE SOME SYMPATHY, THAT U.S. ENERGY RESEARCH AND DEVELOPMENT ADMINISTRATION HAS COOPERATED WITH FRENCH GOVERNMENT AUTHORITIES OVER EXTENDED PERIOD AND PRESENT ACTION IF IN FACT NOT BROUGHT ABOUT BY INCREASE IN COST OF SUPPLIES TO URANEX SEEMS INCONSISTENT WITH THAT HISTORY.

3. ACCORDINGLY, ECONOMIC MINISTER IS REQUESTED TO APPROACH MINISTRY OF INDUSTRY AND RESEARCH AT SUITABLY HIGH LEVEL INDICATING THAT WE HAVE BEEN MADE AWARE OF CONTRACT PROBLEM AND OF ALLEGATIONS THAT MOTIVES BEHIND REFUSAL OF URANEX TO SUPPLY URANIUM OXIDE AT CONTRACT PRICES ARE SUSPECT, AT LEAST WITH THE COMPANY AND WITH SEVERAL MEMBERS OF CONGRESS. YOU SHOULD SAY THAT WHILE WE DO NOT WISH TO BECOME INVOLVED IN THE MERITS OF AN ISSUE WHICH IS BEING ARBITRATED, THE IMPLICATIONS OF THE MATTER, RELATING AS THEY DO TO WORLD URANIUM PRICES AND U.S.-FRENCH COOPERATION, MAY WELL BE BROADER LIMITED OFFICIAL USE

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PAGE 03 STATE 056180

THAN THE COMMERCIAL IMPLICATION OF THIS SPECIFIC CASE (WHICH IN ITSELF MAY RESULT IN DAMAGE CLAIMS IN EXCESS OF \$400 MILLION). IT IS THE DEPARTMENT'S UNDERSTANDING THAT CAROLINA POWER AND LIGHT COMPANY OFFICIALS ARE NEVERTHELESS PREPARED TO DISCUSS ALL RELEVANT ISSUES WITH FRENCH AUTHORITIES, INCLUDING POSSIBLE PRICE SQUEEZE, WITH THE HOPE THAT A GOOD FAITH EFFORT ON BOTH SIDES COULD PRODUCE AMICABLE SOLUTION.

4. CAROLINA POWER IS REPRESENTED IN PARIS BY CARL SALANS WHO HAS BACKGROUND MATERIAL AND MUCH OF THE RELEVANT CORRESPONDENCE. EMBASSY MAY WISH TO CONTACT HIM BEFORE APPROACHING FRENCH MINISTRY.
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Message Attributes

Automatic Decaptioning: X
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Disposition Approved on Date:
Disposition Case Number: n/a
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